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**National Intelligence  
Bulletin**

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**Top Secret**

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December 27, 1975

No. 669

25X1

Approved For Release 2007/03/08 : CIA-RDP79T00975A028400010043-9

Approved For Release 2007/03/08 : CIA-RDP79T00975A028400010043-9

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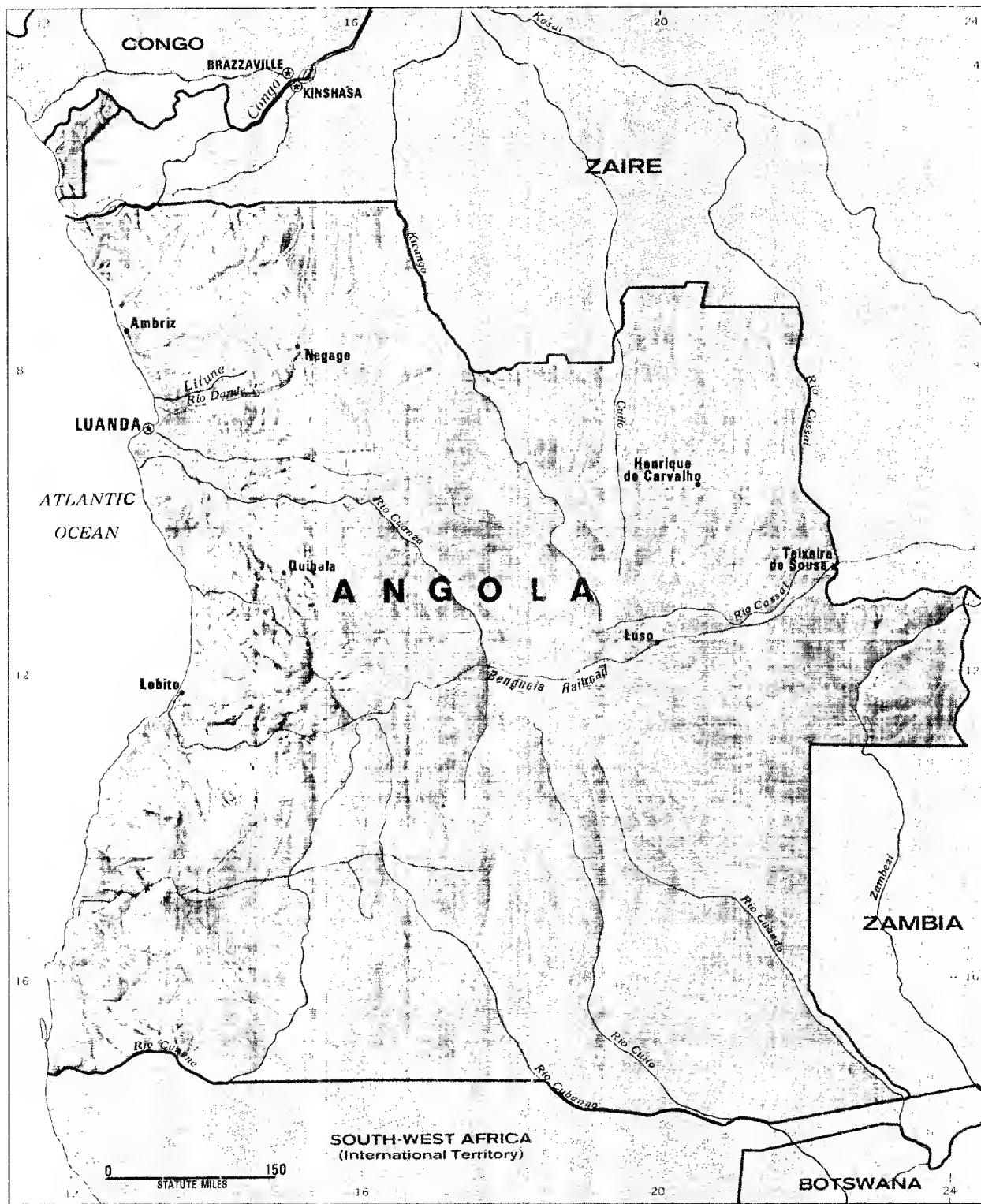
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### ANGOLA

Forces of the National Union have driven the Popular Movement from Teixeira de Sousa at the eastern terminus of the Benguela railroad.

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Although capture of the town again gives the National Union and National Front at least temporary control of the railway from Lobito to the Zairian border, several sections of the line are inoperative and the railroad is unlikely to be reopened in the foreseeable future. Popular Movement forces have retreated some 60 miles from Teixeira de Sousa toward their main base in eastern Angola at Henrique de Carvalho.

A separate National Union column advancing on Henrique de Carvalho from Luso remains stalled at the Cassai River because of the Popular Movement's destruction of a number of bridges. The Popular Movement has established defensive positions north of the river.

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In west central Angola, a combined National Union - National Front drive on Quibala has made no appreciable progress in the past few days. In the recent fighting around Quibala, we have confirmed that the Movement used three T-34 tanks as reported earlier, and that one was destroyed. Also, eight Soviet-made Sagger anti-tank missiles reportedly were captured by the National Union - National Front forces.

In northern Angola, the Popular Movement's drive along the coast toward the National Front's headquarters at Ambriz, stalled until now by bridge destruction and conditions brought about by the rainy season, may soon pick up.

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### LEBANON

Fighting during the Christmas holidays was confined to some clashes in Beirut and Tripoli. There were conflicting reports that the Lebanese cabinet had agreed on a political solution to the crisis.

Government efforts to solidify the shaky truce arranged Wednesday at Zahlah, the scene of heavy fighting earlier this week, made some headway when leaders of the warring Christian and Muslim factions reportedly agreed to disengage their forces, set up joint observation posts in the vacated areas, and permit Lebanese army units to supervise the cease-fire. The reappearance since December 24 of large numbers of armed militiamen on many of Beirut's streets, however, could precipitate another round of heavy battles in the capital.

One of Beirut's most respected dailies has reported that the Lebanese cabinet had agreed on a political solution to end the continuing crisis once a nationwide cease-fire is in effect. The agreement reportedly calls for an even division of seats between Muslims and Christians in the parliament, the transfer of some of the President's powers to the prime minister and parliament, and the establishment of a special body to draw up social and economic reforms. Syria is said to have agreed to guarantee compliance by the Palestine Liberation Organization.

In a brief statement after a cabinet meeting on December 24, however, Prime Minister Karami gave no hint of such an agreement. To all appearances, in fact, Christian and Muslim leaders are still far apart on a political solution. Leftist leader Jumblatt, for example, has renewed his public attacks on President Franjiyah and has even criticized Karami for allowing the army to intervene in Zahlah.

Syrian chief of staff Shihabi, who was in Beirut last week to help mediate, told Ambassador Murphy on December 24 that he saw no early prospect for improvement in the Lebanese situation and was particularly discouraged as a result of his conversations with President Franjiyah and Minister of Interior Shamun. Shihabi added, however, that Syria is keeping a line open to Franjiyah in hopes of altering his position.

The visit to Beirut, meanwhile, of an Iraqi delegation led by Minister of Information Aziz as President Bakr's special envoy is unlikely materially to affect the situation in Lebanon. The Iraqis met yesterday with various Lebanese and Palestinian leaders, including Franjiyah, Karami, and Palestine Liberation Organization chief Arafat. Their principal interest is probably not to let the Syrians dominate Arab efforts to mediate a solution to the Lebanese crisis.

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### PORUGAL

The extension of the wage freeze announced by the Portuguese cabinet on Wednesday is only an economic holding action, but it will make labor more susceptible to Communist exploitation. Non-Communist forces, however, have had some success in weakening the Communists' grip on the organized labor movement (See Annex).

The cabinet extended through February the suspension of labor contract negotiations that was imposed after the November 25 military uprising was squashed. The suspension effectively freezes wage rates pending development of more sophisticated controls. Wage controls are needed to help privately owned and nationalized firms overcome serious financial problems that stem in large part from the earlier government policy of holding down prices while permitting wage hikes and forbidding worker dismissals.

The government has not, however, announced the stiff incomes policy or price increases that many have expected. [redacted] the center-left Popular Democrats are opposing the strict and immediate austerity measures proposed by Prime Minister Azevedo and the Socialists on the grounds that they are too severe.

The sole Communist in the cabinet has been less vocal than the Popular Democrats, but reportedly has requested that the measures be given further study before they are promulgated. Both parties are hesitant to share responsibility for forcing hardships on the population, particularly now that the cabinet has announced that legislative elections must be held by April 25, 1976.

Azevedo is well aware that strict austerity measures will be unpopular and that resulting unrest could threaten the stability of his government. In a nationally broadcast Christmas message on Tuesday, he tried to impress on the people, and especially on labor, the severity of Portugal's economic difficulties. He stressed that economic recovery depends on a "solid agreement" between the unions and the government on an incomes policy and said that unless production increases, Portugal will face an economic catastrophe.

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One bright note on the otherwise gloomy economic scene was Finance Minister Zenha's announcement on Tuesday that Portugal will be allowed to draw some \$85 million from the International Monetary Fund. While the sum is roughly equivalent to only one month's payments deficit at recent rates, it gives Lisbon a bit more time to put Portugal's international payments in order. The Portuguese have been negotiating for some time for drawing rights under the IMF's oil facility. Talks bogged down when the Portuguese refused to agree to some IMF terms, including a devaluation of the escudo. Details of the new agreement are not yet available.

Zenha, a Socialist Party leader, cited the arrangement as proof that greater political stability since the November 25 uprising is opening the door to increased outside assistance. He blamed the disintegration of the economy over the past 20 months on the Communists. Azevedo took the same line in his Christmas message, predicting economic improvement if political stability continues. He claimed to see some faint signs already of an economic upswing. He refused to wish the people a prosperous new year, however, saying that would be nothing but demagogery since "only a miracle could make it so."

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### SPAIN

The government has taken some discreet steps during the past week in the apparent hope of encouraging the less radical Socialist leaders and isolating the Communists.

Minister of the Interior Manuel Fraga Iribarne met with the leader of the Popular Socialist Party, Tierno Galvan—a move without precedent under Franco. Although the Popular Socialists are members of the Communist-dominated Democratic Junta, Tierno Galvan has angered the Communists by refusing to condemn King Juan Carlos out of hand. Tierno Galvan reportedly found Fraga "receptive" and said in a subsequent press interview that he believed the government was moving in a positive direction, although he noted that its promises have yet to be translated into deeds.

For his part, Fraga said he would like to see a united Socialist organization formed from the various factions that do not belong to the Socialist Workers Party—the largest Socialist group. He said that the main purpose of his meeting with Tierno Galvan had been to encourage such a coalition and to wean the Socialist leader away from the Communists.

Fraga was not totally unsuccessful. Soon after the two leaders' meeting, Tierno Galvan announced the formation of a Socialist Confederation to include his own Popular Socialists and various regional Socialist parties affiliated with the Democratic Junta.

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The government's decision to grant an amnesty to exiled Socialist leader Rodolfo Llopis may be a further indication of government planning to undercut the Socialist Workers Party. Llopis says his group represents the traditional right wing of the Socialists, and he adamantly opposes cooperation with the Communists.

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The Socialist factions will find it extremely difficult to resolve their differences and compete with the Socialist Workers Party, the major non-Communist force on the Spanish left and the only Spanish party recognized by the Socialist International. The leader of the Socialist Workers Party, Felipe Gonzales, recently traveled to West Germany and Sweden to strengthen his contacts there.

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### SYRIA-IRAQ

Baghdad has made some contingency plans to commit two armored divisions and five squadrons of combat aircraft to the Syrian front in the event of another war with Israel, according to [redacted] the US attache in Cairo. [redacted] the plans were worked out by military officers of Syria and Iraq.

Political relations between Iraq and Syria are at a very low ebb, however, and it is unlikely that such arrangements could have been made in high-level consultation between the two governments.

[redacted] this report is in line with current US estimates of the size of a likely Iraqi expeditionary force in the event of a war with Israel. We believe that Baghdad would send two armored divisions and an infantry task force—about 600 tanks and 450 armored personnel carriers—to the Golan Heights. They also could send about 100 jet aircraft.

The Iraqi effort to plan in advance at the staff level is in contrast to the situation that existed prior to the 1973 war. At that time, Damascus launched its attack without consulting Baghdad, and Iraqi troops did not begin to arrive at the front until four days later. If Baghdad learns of an Arab attack in advance, the first Iraqis could reach the front within about two days of notification.

If Baghdad is not privy to some future Syrian decision to initiate hostilities, the first of Baghdad's armored units would not arrive until some four days after the start of the war. Iraq has only enough tank transporters to move one division at a time, and it would take some 10 days to complete a move of two armored divisions.

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### WEST GERMANY

West German Chancellor Helmut Schmidt will arrive in Athens on Sunday for two days of talks.

The visit—the first by a West German chancellor to Greece in years—is another sign of Bonn's approval of Prime Minister Caramanlis and his policies. Schmidt and his Greek hosts will probably concentrate on the Cyprus problem, Greece's desire to join the EC, and Greece's relationship with NATO. The Greeks may request further economic and military aid from Bonn.

The West Germans have acted as an intermediary between Greece and Turkey on the Cyprus issue, doing their part to make it easier for Greek and Turkish Cypriots to resume the intercommunal talks. Another round of talks will probably begin in mid-January. Schmidt sees the Cyprus issue more in terms of its effect on the balance of forces in the Mediterranean than in terms of the intrinsic merits of the dispute. He will probably counsel the Greeks to advise the Greek Cypriots to be forthcoming so that the dispute can be resolved as soon as possible.

The West Germans have generally supported the Greeks in their efforts to join the EC, but Schmidt did advise Caramanlis that Greece should be flexible concerning the timing of its accession. It now appears that the EC Commission will approve Greek membership in principle next March or April, but Greece's actual accession is still some time off.

Schmidt also has attempted to persuade Caramanlis that if Greece wants to be a part of Western Europe, it should again become a full-fledged member of NATO. Schmidt will probably repeat this message, and urge Greece to speed up its talks with NATO.

The West Germans have restored economic and military aid to Athens, but Caramanlis is likely to urge Schmidt to grant more, especially in light of Bonn's announcement that a Turkish delegation will come to West Germany in February to discuss West German military aid to Turkey.

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### ARGENTINA

President Peron's position continues to deteriorate, despite her government's significant anti-guerrilla victory.

Pressure on the armed forces to intervene is growing, notwithstanding the conviction of top military leaders that the time is not yet ripe. The army commander, General Jorge Videla, and his colleagues have no clear solution to Argentina's problems, and they apparently fear that a new era of military rule could be as unsuccessful as earlier experiments. Nevertheless, hardliners within the military who see a direct take-over as the only way to avoid continuing economic and political chaos are bound to be encouraged by the erosion of popular support for the Peronists and the apparent lack of confidence in the ability of civilian politicians to find solutions to the country's problems.

Videla reflected armed forces dissatisfaction with the President in a Christmas Eve speech in which he issued a sharp warning to her government. He said that anger within the services could be attributed to misgovernment, corruption, and a lack of national leadership. The army chief took another swipe at Peron by sending a telegram to one of her bitter enemies—the Peronist governor of Buenos Aires Province—congratulating him for helping to crush Tuesday night's guerrilla attacks. The governor, who has been mentioned as a possible successor to Peron, was recently ousted from the Peronist party for advocating her removal.

Congressional demands for a change in the executive by constitutional means are certain to be stepped up in the weeks ahead. Legislators introduced a motion yesterday calling for Peron's impeachment. The likelihood of a civilian political solution is dwindling, however. Unless the politicians act soon, the prospect will increase for yet another military attempt to force Peron from office.

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### ETHIOPIA-SOMALIA

Mogadiscio has reportedly been training ethnic Somalis from Ethiopia and the French Territory of Afars and Issas (FTAI) for guerrilla activity in those countries. Some of these forces have already entered southern Ethiopia, especially in Bale and Sidamo provinces.

Reports of guerrillas in that area led to the evacuation of a refugee center in Bale Province. En route to Goro, the refugee convoy was ambushed by about 50 insurgents. The well-armed and uniformed attackers, who wore no identifying insignia, said they were looking for Americans and Amharas. [redacted] the attackers claimed to belong to a "Bale Liberation Front." If such an organization exists, it may be a front for Somali-directed activity in the area.

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Relations between Ethiopia and Somalia have continued to deteriorate during the past few months, and both nations are trying to gain influence in the FTAI. With the bulk of Ethiopia's military forces committed to Eritrea, Somalia may be stepping up its activity along the border. Present Somali involvement is probably limited to support of tribal groups but it could increase if there is no strong Ethiopian response.



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### ANNEX

#### Communist Domination of Portuguese Labor

Non-Communist forces in Portugal, firmly in control of the government since the uprising by leftist paratroopers on November 25, are trying hard to end the Communist Party's dominant position in organized labor.

The Communists have dominated labor—mainly as a result of adroit maneuvering rather than popular appeal since shortly after the Caetano regime was ousted in April 1974. The party had been the only opposition political group to maintain an effective underground organization during nearly 50 years of rightist dictatorship. After April 1974, the Communists were able to take over the state's labor machine and replace the government hacks in it with young pro-Communist workers.

The Communists moved to formalize their preeminent position when the other political parties began to compete with them in individual unions. The Communists strongly supported the unitary labor law promulgated in April 1975 after several months of heated debate. Under the law, a single labor confederation—the Intersindical—is given the exclusive right to affiliate with international labor organizations.

Even though the Socialists and other non-Communists could not block this legislation, they did manage to secure the adoption of several provisions to lessen its impact—including freedom for unions not to join the confederation and a requirement that secret ballots be used in elections for union leadership. These provisions, coupled with the non-Communists' victory in the constituent assembly election in April 1975, enabled the non-Communists to pick up support from many unions.

In several union elections the Socialists joined forces with the far-leftist, anti-Communist Reorganizing Movement of the Proletariat Party and gained control of most white collar unions. The Communists retain the advantage among blue collar workers, particularly in the Lisbon industrial area.

Although it has suffered setbacks in recent months, the Communist Party still has enough strength with labor to make trouble for a government that is fighting to stave off economic collapse. Fed on Communist slogans since April 1974, Portuguese workers have come to expect more pay for less work.

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Government officials believe that if foreign economic assistance is not received soon, the severe economic restrictions they will be forced to adopt will provoke labor unrest and perhaps tip the political balance back in favor of the Communists. A very tight foreign exchange situation threatens to bring things to a head early next year, when reserves are expected to run out.

Before the November 25 uprising, the Communists—with minimum representation in the government—managed to paralyze the government through the effective use of workers. On one occasion, Communist-led construction workers besieged Prime Minister Azevedo's residence and forced him to retreat on wage constraints. The Communists are obviously hoping for a replay.

The government seems strong enough now, however, to begin putting into effect some austerity measures. The labor minister, air force Captain Tomas Rosa, has told US embassy officials that he is determined to break the Communists' grip on labor. He has launched an inquiry to determine the political views of every union in the country, with special attention focused on members of the Intersindical. He has not yet decided whether to retain the framework of that organization, and replace its Communist leaders, or to withdraw legal recognition of the Intersindical and form a new non-Communist organization.

A new constitution is being drafted by the constituent assembly, in which non-Communists have the majority. Draft articles approved by the assembly in October provide for the free formation of labor organizations at all levels and the right to affiliate with international organizations.

The constituent assembly has also sanctioned another type of labor organization—the workers' commission—as an alternative to Communist-controlled unions. Commissions would serve a liaison function for management and government, with the unions retaining responsibility for contract negotiations. The commissions would represent the workers of an entire company, whereas the same company might have as many as 30 to 40 separate unions.

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